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## CAQEX Candidate Brochure, 1996

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# 1996 CAQEX CANDIDATE BROCHURE



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**Q** What is CAQEX?

**A** CAQEX is an abbreviation for the Canadian Chartered Accountant Uniform Certified Public Accountant Qualification Examination. The Examination is one of the requirements used to assess the professional competence of Canadian Chartered Accountants who wish to obtain the CPA designation. CAQEX may be taken by a Canadian Chartered Accountant who has passed the Uniform Final Examination and desires a CPA certificate.

**Q** Where does a qualified candidate apply to take CAQEX?

**A** In the USA, CPA certificates are awarded by 54 separate jurisdictions. A Canadian Chartered Accountant who wants to become a CPA must apply and meet the requirements of one of these 54 jurisdictions. A list of the 54 Boards of Accountancy may be obtained from the National Association of State Boards of Accountancy, 380 Lexington Avenue, New York, NY 10168-0002, (212) 490-3868.

**Q** Where and when is CAQEX offered?

**A** CAQEX is offered once each year within the geographic boundaries of the 54 jurisdictions. CAQEX is scheduled for Thursday, November 7, 1996, and Thursday, November 6, 1997, from 1:30 P.M. – 6:00 P.M.

**Q** What is CAQEX's structure?

**A** CAQEX is a 4½-hour all-objective type question examination offered only in English.

**Q** Is additional information on CAQEX available?

**A** Further information on CAQEX is contained in *Information for Canadian Chartered Accountant CPA Candidates*. Pages 17 and 18 provide you with an order form that you may use to obtain this booklet and past Examination Questions and Unofficial Answers of the Uniform CPA Examination. The latter should assist you in preparing for CAQEX.

**Q** When will candidates be responsible for new pronouncements and Federal Tax Law on CAQEX?

**A** Candidates are responsible for knowledge of accounting and auditing pronouncements, including the governmental and not-for-profit organizations part, six months after a pronouncement's effective date, unless early application is permitted. When early application is permitted, candidates are responsible for knowledge of the new pronouncement six months after the issuance date. In this case, candidates are responsible for knowledge of both the old and new pronouncements until the old pronouncement is superseded. For the taxation part, candidates are responsible for knowledge of the Internal Revenue Code and Federal Tax Regulations in effect six months before the Examination date.

**Q** What content will be included on CAQEX?

**A** The content specification outline identifies the technical content and the knowledge and skills to be tested on each of the six parts of CAQEX. The content specification outline lists the parts, areas, groups, and topics to be tested in the following manner:

I. Part

A. Area

1. Group

a. Topic

The approximate weight given to each part is indicated by the percentage listed. The examination will sample from the areas, groups, and topics listed within each part to meet the approximate percentage allocation. No weight allocation is given for areas, groups, or topics. For example, if there are several areas within a part or several groups within an area, no inference should be drawn about the relative importance or weight to be given to these areas or groups on an examination.

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## CAQEX CONTENT SPECIFICATION OUTLINE

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- I. Professional and legal responsibilities (5%)
  - A. Code of professional conduct
  - B. Proficiency, independence, and due care
  - C. Responsibilities in other professional services
  - D. Disciplinary systems within the profession
  - E. Common law liability to clients and third parties
  - F. Federal statutory liability
  - G. Privileged communications and confidentiality
- II. Business law (15%)
  - A. Business organizations
    - 1. Agency
      - a. Formation and termination
      - b. Duties of agents and principals
      - c. Liabilities and authority of agents and principals
    - 2. Partnership and joint ventures
      - a. Formation, operation, and termination
      - b. Liabilities and authority of partners and joint owners
    - 3. Corporations
      - a. Formation and operation
      - b. Stockholders, directors, and officers
      - c. Financial structure, capital, and distributions
      - d. Reorganization and dissolution
    - 4. Estates and trusts
      - a. Formation, operation, and termination
      - b. Allocation between principal and income
      - c. Fiduciary responsibilities
      - d. Distributions
  - B. Contracts
    - 1. Formation
    - 2. Performance

3. Third party assignments
4. Discharge, breach, and remedies
- C. Debtor-creditor relationships
  1. Rights, duties, and liabilities of debtors and creditors
  2. Rights, duties, and liabilities of guarantors
  3. Bankruptcy
- D. Government regulation of business
  1. Federal securities acts
  2. Employment regulation
  3. Environmental regulation
- E. Uniform commercial code
  1. Commercial paper
  2. Sales
  3. Secured transactions
  4. Bailments and documents of title
- F. Property
  1. Real property
  2. Personal property
  3. Fire insurance

### III. Auditing (25%)

- A. Evaluate the prospective client and engagement, decide whether to accept or continue the client and the engagement, enter into an agreement with the client, and plan the engagement
  1. Determine nature and scope of engagement
    - a. Generally accepted auditing standards
    - b. Standards for accounting and review services
    - c. Standards for attestation engagements
    - d. Compliance auditing applicable to governmental entities and other recipients of governmental financial assistance
    - e. Filings under federal securities statutes

- f. Letters for underwriters and certain other requesting parties
- 2. Assess engagement risk and the CPA firm's ability to perform the engagement
  - a. Engagement responsibilities
  - b. Staffing and supervision requirements
  - c. Quality control considerations
  - d. Management integrity
- 3. Communicate with the predecessor accountant/auditor
- 4. Decide whether to accept or continue the client and engagement
- 5. Enter into an agreement with the client as to the terms of the engagement
- 6. Obtain an understanding of the client's operations, business, and industry
- 7. Perform analytical procedures
- 8. Determine preliminary engagement materiality
- 9. Assess inherent risk and risk of misstatements
  - a. Errors (inadvertent misstatements)
  - b. Irregularities (intentional misstatements)
  - c. Illegal acts by clients
- 10. Consider the internal control structure
  - a. Obtain and document an understanding of the internal control structure
  - b. Assess control risk
  - c. Assess override and collusion risk
- 11. Consider other planning matters
  - a. Using the work of other independent auditors
  - b. Using the work of a specialist
  - c. Internal audit function
  - d. Related parties and related party transactions
  - e. Segment information
  - f. Interim financial information

12. Identify financial statement assertions and formulate audit objectives
    - a. Accounting estimates
    - b. Routine financial statement balances, classes of transactions, and disclosures
    - c. Unusual financial statement balances, classes of transactions, and disclosures
  13. Determine and prepare the work program defining the nature, timing, and extent of the auditor's procedures
    - a. Tests of controls
    - b. Analytical procedures
    - c. Confirmation of balances and/or transactions with third parties
    - d. Physical examination of inventories and other assets
    - e. Other tests of details
    - f. Substantive tests prior to the balance sheet date
- B. Obtain and document information to form a basis for conclusions
1. Perform planned procedures including planned applications of audit sampling
    - a. Tests of controls
    - b. Analytical procedures
    - c. Confirmation of balances and/or transactions with third parties
    - d. Physical examination of inventories and other assets
    - e. Other tests of details
    - f. Substantive tests prior to the balance sheet date
  2. Evaluate contingencies and obtain and evaluate lawyers' letters
  3. Review subsequent events
  4. Obtain representations from management
  5. Identify reportable conditions and other control deficiencies
  6. Identify matters for communication with audit committees
  7. Review unusual year-end transactions



- C. Review the engagement to provide reasonable assurance that objectives are achieved and evaluate information obtained to reach and to document engagement conclusions
  - 1. Perform analytical procedures
  - 2. Evaluate the sufficiency and competence of audit evidence and document engagement conclusions
    - a. Consider substantial doubt about an entity's ability to continue as a going concern
    - b. Evaluate whether financial statements are free of material misstatements, either inadvertent or intentional, and in conformity with generally accepted accounting principles or an other comprehensive basis of accounting
    - c. Consider other information in documents containing audited financial statements
  - 3. Review the work performed to provide reasonable assurance that objectives are achieved
- D. Prepare communications to satisfy engagement objectives
  - 1. Prepare reports
    - a. Reports on audited financial statements
    - b. Reports on reviewed and compiled financial statements
    - c. Reports required by *Government Auditing Standards*
    - d. Reports on compliance with laws and regulations
    - e. Reports on internal control
    - f. Reports on prospective financial information
    - g. Reports on other attestation engagements
    - h. Reports on the processing of transactions by service organizations
    - i. Reports on elements of financial statements

- j. Reports on supplementary financial information
  - k. Reissuance of auditors' reports
- 2. Prepare letters and other required communications
  - a. Errors and irregularities
  - b. Illegal acts
  - c. Special reports
  - d. Communication with audit committees
  - e. Other reporting considerations covered by Statements on Auditing Standards and Statements on Standards for Attestation Engagements
- 3. Other matters
  - a. Subsequent discovery of facts existing at the date of the auditor's report
  - b. Consideration of omitted procedures after the report date

#### IV. Taxation (20%)

##### A. Federal taxation—individuals

- 1. Inclusions in gross income
- 2. Exclusions and adjustments to arrive at adjusted gross income
- 3. Deductions from adjusted gross income
- 4. Filing status and exemptions
- 5. Tax accounting methods
- 6. Tax computations, credits, and penalties
- 7. Alternative minimum tax
- 8. Tax procedures

##### B. Federal taxation—corporations

- 1. Determination of taxable income or loss
- 2. Tax accounting methods
- 3. S corporations
- 4. Personal holding companies
- 5. Consolidated returns
- 6. Tax computations, credits, and penalties
- 7. Alternative minimum tax

8. Other
  - a. Distributions
  - b. Incorporation, reorganization, liquidation, and dissolution
  - c. Tax procedures
- C. Federal taxation—partnerships
  1. Basis of partner's interest and bases of assets contributed to the partnership
  2. Determination of partner's share of income, credits, and deductions
  3. Partnership and partner elections
  4. Partner dealing with own partnership
  5. Treatment of partnership liabilities
  6. Distribution of partnership assets
  7. Termination of partnership
- D. Federal taxation—estates and trusts, exempt organizations, and preparers' responsibilities
  1. Estates and trusts
    - a. Income taxation
    - b. Determination of beneficiary's share of taxable income
    - c. Estate and gift taxation
  2. Exempt organizations
    - a. Types of organizations
    - b. Requirements for exemption
    - c. Unrelated business income tax
  3. Preparers' responsibilities
- V. Accounting for governmental and not-for-profit organizations (10%)
  - A. Governmental organizations
    1. Measurement focus and basis of accounting
    2. Objectives of financial reporting
    3. Uses of fund accounting
    4. Budgetary process
    5. Financial reporting entity
    6. Elements of financial statements
    7. Conceptual reporting issues
  - B. Not-for-profit organizations
    1. Objectives of financial reporting

2. Elements of financial statements
  3. Formats of financial statements
  - C. Accounting and financial reporting for governmental organizations
    1. Governmental-type funds and account groups
    2. Proprietary-type funds
    3. Fiduciary-type funds
  - D. Accounting and financial reporting for not-for-profit organizations
    1. Revenues and contributions
    2. Restrictions on resources
    3. Expenses, including depreciation
- VI. Financial accounting & reporting (25%)
- A. Concepts and standards for financial statements
    1. Financial accounting concepts
    2. Financial accounting standards for presentation and disclosures in general purpose financial statements
      - a. Consolidated and combined financial statements
      - b. Balance sheet
      - c. Statement of income and changes in equity accounts
      - d. Statement of cash flows
      - e. Accounting policies and other notes to financial statements
    3. Other presentations of financial data
      - a. Financial statements prepared in conformity with comprehensive bases of accounting other than generally accepted accounting principles
      - b. Personal financial statements
  - B. Recognition, measurement, valuation, and presentation of typical items in financial statements in conformity with generally accepted accounting principles
    1. Cash, cash equivalents, and marketable securities
    2. Receivables
    3. Inventories

4. Property, plant, and equipment
  5. Investments
  6. Intangible and other assets
  7. Payables and accruals
  8. Deferred revenues
  9. Notes and bonds payable
  10. Other liabilities
  11. Contingent liabilities and commitments
  12. Equity accounts
    - a. Corporations
    - b. Partnerships
    - c. Proprietorships
  13. Revenue, cost, and expense accounts
  14. Financing, investing, and operating components of cash flows
- C. Recognition, measurement, valuation, and presentation of specific types of transactions and events in financial statements in conformity with generally accepted accounting principles
1. Accounting changes and corrections of errors
  2. Business combinations
  3. Discontinued operations
  4. Employee benefits
    - a. Deferred compensation agreements
    - b. Paid absences
    - c. Pension plans
    - d. Postemployment benefits other than pensions
    - e. Stock purchase and stock option plans
  5. Extinguishment and restructuring of debt
  6. Extraordinary items
  7. Financial instruments requiring recognition or disclosure in financial statements
    - a. Futures contracts
    - b. Concentration of credit risk
    - c. Disclosure of fair values
    - d. Other contractual obligations

8. Foreign currency transactions and translation
9. Income taxes
10. Interest costs
11. Interim financial reporting
12. Leases
13. Lending activities
14. Nonmonetary transactions
15. Public companies
  - a. Earnings per share
  - b. Segment reporting
16. Quasi-reorganizations, reorganizations, and changes in entity
17. Real estate transactions
18. Related parties
19. Research and development costs

**Q** What are the candidate instructions for examination day?

**A** The candidate instructions for examination day are:

1. The only aids you are allowed to take to the examination tables are pens, pencils, and erasers. Rulers, slide rules, and calculators are prohibited.
2. You will be furnished a prenumbered identification card (or admission notice) with your 7-digit candidate number on it. The prenumbered identification card must be available for inspection by the proctors throughout the Examination.
3. Any reference during the Examination to books or other materials or the exchange of information with other persons shall be considered misconduct sufficient to bar you from further participation in the Examination.
4. You must observe the fixed time for the session. It is your responsibility to be ready at the start of the session and to stop writing when told to do so.

5. An *Examination Question and Answer Booklet* will be distributed shortly before the session begins. Prior to the start of the Examination you are permitted to:
  - a. Ascertain that your Candidate No. is the same as the Booklet number.
  - b. Complete the *Attendance Record* and *Statement of Confidentiality* on the first page.
  - c. Record your 7-digit candidate number in the boxes provided at the upper right-hand corner of the first, third, and last pages of the Booklet.

Otherwise, you are not permitted to open the *Examination Question and Answer Booklet* until the starting signal is given by the proctor.

6. All amounts given in the questions are to be considered material unless otherwise stated.
7. Answers must be written on the *Objective Answer Sheet* as follows:
  - a. Answer all items on the *Objective Answer Sheet* provided. Use a No. 2 pencil only.
  - b. As you proceed with the Examination, be absolutely certain that the space in which you have indicated your answer corresponds directly in number with the item in your *Examination Question and Answer Booklet*. If you mark your answers on the *Examination Question and Answer Booklet*, be certain that you transfer them to the *Objective Answer Sheet* before the session ends. Your Examination paper cannot be graded properly if you fail to blacken the ovals correctly. **Extra time is not allowed for this at the end of the session.**
  - c. You should attempt to answer all items. There is no penalty for incorrect responses. Since the objective items are computer-graded, your comments and calculations associated with them are not considered.

8. Work space to solve those items of a computational nature is provided on those pages in the *Examination Question and Answer Booklet* that contain items of a computational nature. Separate worksheet paper is prohibited.
9. Penalties will be imposed on any candidate who is caught cheating before or during the Examination. These penalties may include expulsion from this and future Examinations.
10. You are required to sign the *Statement of Confidentiality*, which is on the first page of the *Examination Question and Answer Booklet*, whereby you attest that you will not divulge the nature or content of any question of the Examination to any individual or entity. Unless you sign the *Statement of Confidentiality* and adhere to it, your Examination will not be graded and you may face expulsion from this and future Examinations.
11. You are required to turn in separately by the end of the session:
  - a. *Attendance Record and Statement of Confidentiality Form*;
  - b. *Objective Answer Sheet*;
  - c. *Examination Question Booklet*.Your Examination will not be graded unless the above-listed items are handed in before you leave the Examination room.
12. You must turn in all examination materials. You must not take any examination materials with you.



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